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Retailer Pre-Authorization Visit Demonstration

FINAL SUMMARY REPORT

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RETAILER PRE-AUTHORIZATION VISIT DEMONSTRATION

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INTRODUCTION

The Food and Nutrition Service (FNS) of the U.S. Department of Agriculture administers the Food Stamp Program (FSP), the nation's largest nutritional assistance program. The purpose of the FSP is to improve the food-purchasing power of financially needy households. The program provides low-income households with benefits in the form of food stamp coupons or electronically-encoded cards that enable recipients to purchase eligible food items at authorized retail food stores.

Background. In order to be eligible to accept food stamp benefits, retailers must meet the eligibility criteria established by law, regulations, and policy, which are administered by FNS. According to the current legislation governing the FSP, one of the requirements for a store to be eligible is that it:

"sells food for home preparation and consumption and (A) offers for sale, on a continuous basis, a variety of foods in each of the four categories of staple foods, as specified in subsection (u)(1), including perishable foods in at least two of the categories; or (B) has over 50 percent of the total sales of the establishment or route in staple foods."¹

Retailers interested in participating in the FSP for the first time must apply to their FNS Field Office and be approved before participating in the FSP. FNS periodically reevaluates the eligibility of participating FSP stores, typically every three to five years. Field Office staff review the application information, follow up with a phone call if necessary and, in some cases, pay an in-person visit to the store. Due to limited resources, however, it has become increasingly difficult for Field Office staff to visit stores.

In order to prevent ineligible retailers from participating in the FSP, the USDA budget for FY 1997 includes funds to support FSP retailer authorization site visits. This money will be used primarily to fund store visits by contractors, who will provide the information gathered to the FNS Field Office staff making the eligibility decisions.²

¹ Public Law 102-225, section 201. Subsection (u)(1) defines staple foods as including meat, poultry, or fish; bread or cereal; fruit or vegetables; and dairy products.

² FNS issued a Request for Proposals (RFP FNS 97-003LMW) to procure these services on February 14, 1997.

In the spring of 1996, with the expectation of the FY 1997 funding to support pre-authorization store visits, FNS set out to determine the best way to manage these newly-acquired resources. FNS also wanted to determine how to ensure that contractors provide sufficient data to enable Field Offices to make sound, sustainable determinations of program eligibility. Therefore, FNS conducted a large-scale, four-month-long demonstration, the Food Retailer Pre-Authorization Visit Demonstration, in which contractor representatives visited over 7,000 stores on behalf of FNS.

Evaluation Objectives and Sources. This report summarizes the findings of an FNS-sponsored evaluation of the demonstration. In a competitive procurement, FNS selected Abt Associates Inc. as the evaluator for the demonstration.³ The primary goal of the evaluation was to determine how best to manage and allocate the additional resources that FNS expected in FY 1997 for contractor-conducted pre-authorization store visits.

In order to answer the research questions posed by FNS, Abt Associates Inc. conducted two rounds of on-site data collection activities between July 15 and September 30, 1996. Evaluation staff interviewed FNS staff at the Field and Regional Offices, and contractor personnel at the corporate and field levels. In addition, evaluation staff observed store visits conducted by FNS Field Office staff and by contractor personnel.

Special tracking forms created for the demonstration and other FNS administrative records were collected from the 16 Field Offices that participated in the demonstration. The database from these sources was used to analyze the following: numbers of new applications and reauthorization applications for which the subject stores were visited by contractors or FNS; timeliness and usefulness of contractor reports; FNS actions to gather additional data from contractor-visited stores; and outcomes of the application/reauthorization process (i.e., approval, denial, or withdrawal).

Organization of the Report. The remainder of this report is organized in three parts. First, the report describes how FNS organized and operated the demonstration. Second, the results of the demonstration are presented, including findings based on the interviews with FNS and contractors, the tracking forms, contractor cost information, and the documentation of appeals of decisions to the FNS Administrative Review Branch. The final section presents the conclusions from the evaluation, combining the insights of FNS and contractor representatives with those of the

³ USDA Food and Nutrition Service Contract No. 53-3198-6-016.

evaluation team. Appendix A presents supplemental information on the sampling and analysis of the tracking forms.

DESCRIPTION OF THE DEMONSTRATION

The demonstration involved the efforts of various staff at FNS headquarters, Regional Offices, and Field Offices. Headquarters staff provided contract support and guidance. Each Regional Office designated a contracting officer and a contracting officer's representative (COR), with backup for the COR. Sixteen Field Offices, spread over all seven FNS regions across the nation, participated in the demonstration. Taken together, these Field Offices were responsible for nearly one-third of all authorized retailers in the nation. The sites included three large Field Offices, with over 5,000 retailers each; eight medium-sized offices, with 3,000 to 5,000 retailers each; and five small offices, with fewer than 3,000 retailers each. Through competitive procurements, the Regional Offices contracted with private firms to work in the territories covered by these Field Offices.

Demonstration planning activities began in late 1995, culminating in the release of a Statement of Work (SOW) by each Regional Office in April 1996. After the contractors were selected, the Regional and Field Offices trained contractor representatives in the demonstration procedures. The contractors began visiting stores in June 1996.

Nine firms were awarded contracts and participated in the demonstration. Six of the contractors served two or more sites. The contractors' fees, based on their competitive bids in response to the regional SOWs, ranged from \$25 to \$125 per visit. In most sites multiple contracts were awarded, but visits were assigned to the contractor with the lowest bid for the site unless that firm failed to perform as required.

Each of the 16 Field Offices ordered contractor store visits for both new authorizations and reauthorizations on an as-needed basis. Field Offices had the flexibility to establish the criteria for which stores were assigned to the contractors, based on type of store, geographic location, and other considerations. The variety of visits ordered ranged from one site's special focus on stores with patterns of excessive FSP redemptions to sites where most stores applying for authorization or reauthorization were visited, occasionally including supermarkets. Most Field Offices issued separate orders for new authorizations, which had deadlines for contractor reports of 7 to 10 days, and for reauthorizations, which had contractor deadlines of 10 to 30 days. (The contractor deadlines varied from region to region, depending on the terms of the region's SOW.) Most Field Offices

geographically grouped the stores in their orders to some degree, in order to reduce the contractors' travel time, but low numbers and geographic dispersion of the available stores to be visited limited or precluded geographic clustering in several sites. During the demonstration all but four Field Offices continued to send their own staff to visit some stores, most often when stores required special attention (e.g., because of known concerns about the store's eligibility). On rare occasions FNS staff made followup visits when the information from contractor visits was inconsistent or inconclusive.

Contractors made in-person store visits in which, after receiving the consent of a store representative, they completed a checklist of the food inventory and took photographs (including the staple food stock, the check-out area, and the store exterior). The procedures for the inventory checklist and photographs were modeled in part on approaches used by FNS staff, but the demonstration contractors took substantially more photographs (at least 12 per store) than has been the practice of FNS. (FNS staff typically took photographs only to document stores' deficiencies, but contractors were expected to photograph foods from all four groups of staple foods regardless of how well-stocked the store was in each food group.) In the Western Region, contractors were also required to sketch the store's layout. The contractors then submitted reports, comprising a cover page, the checklist, the photographs, and (in some regions) supplemental information, to the FNS Field Offices. Contractors spent an average of 95 minutes per store on preparations, conducting the visit, and producing the report; the typical in-store time was 15-25 minutes.

The FNS Field Offices reviewed the information provided by the contractors, both to determine the acceptability of the contractor reports and to assess what the reports indicated about the subject stores' eligibility. Most Field Offices conducted separate quality control checks on the contractors' reports before using them to determine the stores' eligibility. The most common problems detected by these reviews were missing or unclear photographs and inconsistencies between the checklist and the photographs. Most Field Offices provided prompt feedback to the contractors regarding deficiencies in the reports, either in writing, by telephone, or both.

The Field Offices were almost always able to decide retailer eligibility using the contractor reports. FNS made very few follow-up visits to stores visited by the contractors. About half of the Field Offices viewed the photographs and the checklists as equally important to their eligibility decisions, but the other half rated the photographs as more important. A major challenge was the need to review each store on its own merits, because the FSP's Criterion A for retailer

eligibility (ample variety of staple foods) does not provide quantitative standards for staple food inventory. An additional challenge was the need to assess the store's potential eligibility under Criterion B (over 50 percent of total sales in staple foods).

DEMONSTRATION RESULTS

Basic Statistics. When the authority to commit demonstration funds expired on September 30, 1996, the Field Offices had ordered a total of 7,232 contractor visits, as shown in Exhibit 1. The number of visits ordered ranged from 173 in the smallest site (Wichita) to 1,111 in the largest (Los Angeles). The average cost across all sites and visits was \$70 per visit; the average cost in individual sites (reflecting combinations of two or more contractors in the sites that had turnover) ranged from \$30 in Boston to \$118 in New York City.⁴

⁴ The range of the final average cost differs from the \$25 to \$125 range of bids by participating contractors, because each of the sites with the lowest and highest bids (Detroit and New York, respectively) used two or more contractors with different fees over the course of the demonstration.

Exhibit 1**ACTUAL CONTRACTOR VISITS ORDERED BY SITE**

Region/Field Office	Total Number of Retailers^a	Store Visits Ordered	Total Spending^b	Cost per Visit^b
<i>Mid-Atlantic Region</i>				
Trenton	4,010	568	\$40,179	\$71
Harrisburg	3,138	243	20,431	84
<i>Northeast Region</i>				
New York City	9,788	974	115,406	118
Wallingford	1,748	236	8,140	34
Boston	3,782	297	8,901	30
<i>Southeast Region</i>				
Tampa	4,200	349	11,639	33
Raleigh	6,442	383	35,079	92
<i>Midwest Region</i>				
Detroit	3,618	407	35,827	88
Grand Rapids	3,361	525	31,284	60
<i>Southwest Region</i>				
Austin	4,887	727	39,985	55
Little Rock	2,461	522	29,993	57
<i>Mountain Plains Region</i>				
Denver	1,788	236	16,237	69
Wichita	1,393	173	11,929	69
<i>Western Region</i>				
Los Angeles	8,497	1,111	65,175	59
Sacramento	3,418	291	23,037	79
Phoenix	2,185	190	13,343	70
TOTALS	64,716	7,232	\$506,585	\$70

^a Retailer counts as reported in the SOW for the demonstration.

^b Cost per visit represents the average fee for all visits as ordered. Final cost per visit may have been lower to the extent that penalties for late deliverables were assessed.

Field Office Experiences. All but three of the Field Offices experienced significant problems with contractor performance at some point in the demonstration, but most of the difficulties were in the early months. The principal problems were late, incomplete, inconsistent, or poorly-presented reports; refusal of work assignments was a less common problem that was important in a few sites. Nearly all of the early performance problems were resolved by the fourth (and last) month of the demonstration, either through improved effort by the original contractors or by replacing them with better-performing (albeit more expensive) contractors. A substantial minority of the Field Offices (38 percent) had to change contractors at least once. Sixty-one percent of the Field Offices gave ratings of "moderately high" or "high" satisfaction to the contractors they were using near the end of the demonstration. Seventeen percent rated their level of satisfaction as "moderate," and 22 percent said that their level of satisfaction was "low" to "moderately low."

Most Field Offices felt that the additional steps in the retailer authorization and reauthorization process during the demonstration affected how they allocated staff time. Some offices spent more time overall on retailer management activities, relative to other Field Office duties.⁵ Others reported reductions in the proportion of their retailer management time devoted to monitoring retailer participation (such as reviewing redemption reports). Some offices reported both of these effects.

Field Office staff shared several widespread views of the demonstration experience:

- Field Office staff saw the demonstration as reducing FNS time devoted to store visits, but increasing the overall number of visits conducted.
- Sites that experienced significant problems with contractor performance stressed the added workload associated with correcting this situation.
- The compressed schedule of the demonstration and the record-keeping for the evaluation also contributed to the perceived workload effects.
- Contractors were seen by Field Office staff as an important resource, particularly for covering territories with sparse, far-flung retailer populations.
- Field Office staff believed, however, that contractor visits are, in some ways, less useful

⁵ The general category of FSP retailer management includes the following activities: authorization and reauthorization of retailers to participate; providing training and technical assistance to retailers regarding FSP rules and procedures; monitoring retailers' patterns of redemption activity to detect store closures and possible program violations; and sanctioning retailers for program violations.

than FNS staff visits. FNS staff can answer retailer questions, spot signs of fraudulent behavior, verify ownership, and make preliminary authorization decisions on the spot.

Nearly two-thirds of the Field Offices substantially underspent their allocations for the demonstration (i.e., ordered two-thirds or fewer of the number of visits projected at the outset, based on the available funds and contractor fees). The reasons for the shortfall included Field Office staff shortages, competing priorities (such as the FNS "sweep" of a large number of stores in one site), and lost time due to problems with contractor performance. The shortfall was partially offset by the four Field Offices that ordered more than the originally-projected number of visits, because of lower-than-expected contractor costs or availability of reallocated funds from the sites that underspent their allocations.

Outcomes of Contractor and FNS Store Visits. As part of the evaluation, Field Office staff completed Initial Tracking Sheets for all new authorizations and reauthorizations processed during the demonstration, and Follow-Up Action Reports on all contractor-visited stores. The evaluators analyzed the store visit tracking data contained in a sample of these forms completed during the demonstration period. The sample is composed of 2,194 store visits, 1,934 of which were conducted by contractors, with the remaining 260 visits conducted by FNS. The sample includes data from all 16 demonstration Field Offices and nine contractors.⁶

Overall, the tracking data indicate that contractors successfully conducted retailer visits on behalf of FNS. Nearly 99 percent of visits were completed. Exhibit 2 summarizes the outcomes of the completed contractor visits, overall and by whether the visit was for an initial authorization or reauthorization. ***Work was delivered to FNS on a timely basis in 90 percent of the visits. Information from contractor reports contributed to or supported authorization or reauthorization decisions in 96 percent of cases (i.e., without a follow-up contact visit by FNS).***

⁶ For further information on the sample and weighting methodology, see Appendix A.

Exhibit 2**OUTCOMES OF CONTRACTOR STORE VISITS, BY TYPE OF VISIT**

Visit Type	Work Delivered on Timely Basis	Requested More Information from Contractor	Authorization Decision Based on Visit	Store Approved or Reauthorized	Store Denied or Withdrawn
All contractor visits	89.9%	3.7%	95.7%	92.2%	7.8%
New authorizations	81.0 ^a	6.8 ^a	95.3	87.2 ^a	12.8 ^a
Reauthorizations	92.3 ^a	2.8 ^a	95.8	93.7 ^a	6.3 ^a

SOURCE: Initial Tracking Sheets and Follow-up Action Reports for visits in the analysis sample.

^a Difference between new authorizations and reauthorizations significant at the 0.10 level.

There is considerable variability in outcomes, however, by type of visit. The second column of Exhibit 2 shows that contractor work was delivered on a timely basis more frequently for reauthorization visits than for new authorization visits—92 percent vs. 81 percent. This statistically significant difference⁷ is not altogether surprising, because the time allotted by FNS for delivery of new authorization visit reports was almost always less than for reauthorizations, and new authorization visits tended to be more geographically dispersed than reauthorization visits because they could not be grouped in batches to ease scheduling. Both characteristics made it more difficult for contractors to turn in new authorization deliverables quickly and efficiently.

⁷ Throughout this report we say that a difference between two means estimated from sample data is "statistically significant" if there is a 10 percent or smaller chance that the true difference in the population is actually zero.

The fifth column in Exhibit 2 indicates that store reauthorization rates were over six percentage points higher than approval rates for new stores, a statistically significant difference. Also, as displayed in the third column, FNS was more than twice as likely to request that contractors provide additional information or repeat visits to stores following new authorization visits than following reauthorization visits (in 7 percent vs. 3 percent of cases, again a statistically significant difference). FNS made such requests, as authorized under the SOW, when the contractors failed to provide complete and consistent information. The results are consistent with evidence from the process interviews that Field Offices subjected new authorizations to a higher level of scrutiny than reauthorizations, posing a greater need for complete and reliable data on the store in question. Stores that are applying for reauthorization have already passed through the initial authorization process and require less verification. FNS was no less likely, however, to be able to make an authorization decision using information from the contractor visit in new authorization cases than in reauthorization cases.

The outcomes of *FNS store visits*, by type of visit, are compared to those of contractor visits in Exhibit 3. It should be noted that the sample of FNS visits is much smaller than the sample of contractor visits (260 FNS visits *versus* 1,934 contractor visits). With this in mind, the sample indicates that FNS visits also led to high rates of authorization decisions, both for new store applications and for reauthorizations, and high rates of approval or reauthorization. Over 97 percent of FNS visits provided sufficient basis for an authorization decision, and just over 95 percent of FNS visits resulted in approval or reauthorization. The rate of authorization decisions based on FNS visits was slightly higher among new authorizations than reauthorizations, whereas the approval/reauthorization rate was higher among reauthorizations. Neither difference, however, is statistically significant.

Exhibit 3

OUTCOMES OF CONTRACTOR AND FNS STORE VISITS BY TYPE OF VISIT

Visit Type	Percent of Total Visits		Authorization Decision Based on Visit		Store Approved or Reauthorized	
	Contractor	FNS	Contractor	FNS	Contractor	FNS
All	93.2%	6.8%	95.7%	97.2%	92.2%	95.2%
New authorization	84.0	16.0	95.3	97.5	87.2 ^a	94.8 ^a
Reauthorization	96.0	4.0	95.8	96.5	93.7	96.1

SOURCE: Initial Tracking Sheets and Follow-up Action Reports for visits in the analysis sample.

^a Difference between contractor and FNS visits significant at the 0.10 level.

Exhibit 3 allows direct comparison of the outcomes of visits conducted by contractors with those conducted by FNS. As shown in the last two columns of the exhibit, overall approval/reauthorization rates were slightly higher among FNS-visited stores (95 percent) than among contractor-visited stores (92 percent). In addition, FNS had a slightly higher proportion of its visits that directly resulted in authorization decisions (97 percent for FNS visits *versus* 96 percent for contractor visits). Although the differences between contractor and FNS visits on these overall outcomes are not statistically significant, a different pattern emerges when new authorizations and reauthorizations are examined separately.

Among all new authorizations, approval rates were significantly higher among visits conducted by FNS (95 percent) compared with contractor visits (87 percent)—a more than 7 percentage point difference. Among all reauthorizations, there were no significant differences in approval rates or in the percentage of authorization decisions based on store visits without followup between contractor and FNS visits. ***Thus, approval rates for new contractor-visited stores were significantly lower than for either new FNS-visited stores or contractor-visited stores applying for reauthorization.*** All other approval rates were not significantly different from each other.

One possible explanation for the lower approval rate for new stores when visited by contractors (compared with stores visited by FNS) is that the contractor visits provided a basis for more systematic and objective comparisons among stores, thereby making clearer the differences between eligible and ineligible stores. As the preceding description shows, the process of deciding whether to authorize a new applicant retailer when a contractor visited the store was different in several important ways from the process when FNS visited the store. For the contractor-visited stores, FNS had access to a comprehensive set of photographs, in addition to the food inventory checklists (which also were completed by FNS when its staff made visits). The SOW provided a structure to ensure consistency in the format and scope of the information. Because the information on the stores was delivered to the Field Offices, multiple FNS staff (particularly for both program specialists and the Officers-in-Charge) could review and discuss the stores. The fact that contractors visited stores that were too distant for FNS staff to visit may also have contributed to the lower approval rate, if more distant stores are for some reason less likely to pass FNS' tests of eligibility.

An alternative explanation is that the observed difference in approval rates reflects underlying differences in approval rates between Field Offices regardless of who conducts the visit. The samples of contractor-visited and FNS-visited new stores were distributed differently across Field Offices. The Field Offices that conducted the most visits with their own staff were more likely to approve new stores whether the visit was conducted by FNS or a contractor. On the other hand, two of the three Field Offices with the most contractor visits had approval rates of 72 percent or less for new contractor-visited stores, driving down the average for all new contractor-visited stores. The differences in approval rates across Field Offices may reflect differences in the retailer applicant pool, or in the relative willingness to risk having decisions reversed in the administrative review process, or a combination of these and other factors.

The limitations of the demonstration design (especially the non-random way that visits were assigned to contractor versus FNS visits) make it impossible to determine conclusively which of the preceding reasons contributed most to the difference in approval rates. It is therefore uncertain to what extent this result is likely to be replicated when contractor visits are used on a larger scale. It is important to note, however, that both contractor and FNS visits presumably reduced the number of ineligible retailers entering the FSP, because the applicants that could be

denied without a visit were generally screened out before stores were selected to be visited. The demonstration results suggest that contractor visits can be at least as effective as FNS visits at detecting stores that should be denied authorization to accept food stamp benefits.

Other findings from the analysis of store visit tracking data include:

- Field Offices differed greatly in the mix of type of visit (new vs. reauthorization);
- all Field Offices had the majority of visits conducted by contractors;
- most FNS visits were conducted at stores applying for new authorization, although some variation is evident across Field Offices;⁸ and
- among Field Offices, the approval rates for contractor-visited stores ranged from two sites below 85 percent to five sites with approval rates of 100 percent, and the approval rates for new contractor-visited stores ranged from 81 to 100 percent.

Administrative Review. The denials of new applications and withdrawals of previously authorized stores can, like all adverse actions against retailers, be appealed to the Administrative Review Branch of FNS. Upon request by the retailer, the case is assigned to an Administrative Review Officer (ARO), who considers the appropriateness of the decision in light of the applicable laws, regulations, and policies, the retailer file supplied by the Field Office, and any additional information provided by the retailer. The decision of the ARO to sustain or reverse the Field Office's action represents FNS' final decision on the case; involuntary withdrawals can, however, be appealed to the US District Court for judicial review.

Among the decisions based on contractor reports, about one-fifth (21 percent) of the denials of new applications and more than one-quarter (28 percent) of the decisions to withdraw retailers from the FSP were appealed.⁹ Of those denials that were appealed, 63 percent were sustained by the Administrative Review Branch, and 37 percent were reversed.¹⁰ Thus, approximately 8 percent of all denials were reversed. For withdrawals, the story is much the same:

⁸ The Field Offices with relatively high proportions of FNS visits conducted at stores applying for reauthorization also tended to have more FNS visits of all kinds (relative to the number of contractor visits). These offices were more likely than others to assign stores to FNS visits based on location or marginal eligibility.

⁹ These estimates are based on data supplied by the Field Offices and on exception reports of reversed decisions prepared by the Administrative Review Branch.

¹⁰ Appeals withdrawn by the retailer are included in the count of sustained decisions; actions rescinded by the Field Office are included in the reversals.

60 percent of the withdrawals were sustained by administrative review, whereas 40 percent were reversed. When the higher appeal and reversal rates for withdrawals are combined, however, about 11 percent of all withdrawals were reversed—a modest rate but almost half again as high as the 8 percent rate for denials. These overall averages reflect the substantial influence of one large Field Office with especially high rates of denials, withdrawals, appeals, and reversals. If this Field Office is excluded, the reversal rate for all denials drops from 8 to 3 percent, and the reversal rate for all withdrawals drops from 11 to 4 percent.

Reversal rates for denials and withdrawals based on FNS visits in the demonstration sites were much lower, but this difference should not be overemphasized, for two reasons. The

FNS visits were to a quite select group of stores, and relatively few negative actions arose from these visits (leading to a substantial probability that the difference in reversal rates was due to chance). FNS tracks the incidence of denials and withdrawals but does not track the rates of appeals and reversals for these actions, so there is no baseline against which the demonstration experience can be compared.

There were three common reasons for reversals of Field Office decisions based on store visits by contractors and FNS staff:

1. The ARO found that the store, although considered ineligible by the Field Office, met the minimum standards set by the most recent FNS policy memorandum (dated January 31, 1996). This policy memorandum indicates that "prudent judgment" should be used in making determinations on marginal stores. This reason was cited in 58 percent of all reversed cases examined for this study. Among cases involving contractor visits this reason was cited in 81 percent of reversals.¹¹
2. The Field Office did not provide sufficient documentation for the basis of its determination, either in the store's file or in communications with the retailer. A Field Office must document the specific grounds for a decision made on the basis of a contractor store visit. This reason was cited in 21 percent of all reversals, but in only 10 percent of cases involving contractor visits.
3. The Field Office did not adequately review the retailer for qualification under both Criterion A (ample variety of staple foods) and Criterion B (over 50 percent of total sales in staple foods), or the ARO disagreed with the Field Office's determination regarding eligibility under Criterion B. This reason was cited in 20 percent of all

¹¹ Exception reports explaining reversals were examined for 112 cases reviewed during the demonstration period, of which 21 were identified as involving contractor visits. More than one reason could be cited, so percentages in this analysis sum to more than 100.

reversals but only 10 percent of cases involving contractor visits.

Administrative Review Branch representatives indicated that well-prepared, consistent contractor reports contributed to the sustaining of Field Office decisions. The lack of photographs and checklists from some FNS visits outside the demonstration contributed to the reversal of some of the decisions based on those FNS visits. The AROs relied heavily on the photographs provided by the contractors, in some cases citing inconsistencies between the inventory checklist and the photographs as grounds for reversal. The positive response of the AROs to the use of contractor-provided photographs helped encourage the Field Offices to see photography as a very effective way to substantiate eligibility decisions.

Contractor Costs. Using data from interviews with contractors and other available sources, the evaluation produced independent estimates of contractors' costs to conduct store visits. The estimated average total cost per visit incurred by the contractors was about \$52,

substantially below the weighted average fee of \$70 per visit paid to the contractors.¹² The range of the evaluation's estimated contractor costs was from \$30 to \$93. Field labor costs (including preparation for visits, travel time, in-store time, and report preparation) accounted for about 55 percent of total contractor costs; field non-labor costs (mainly travel expenses) accounted for 20 percent; and management costs (mainly labor) represented about 25 percent.

Across the sites, variations in average travel time and store visit volume were the most important influences on the estimated contractor cost. Travel time was the most variable component of the field labor cost per visit. Much of the management cost for a given site was a fixed cost associated with contracting and other startup activities, so the management cost per visit generally declined with visit volume. As a result, contractor costs were lowest in largely urbanized, high-volume sites and highest in sparsely-populated, low-volume sites. Analysis of the effect of different assumptions regarding pay rates for field staff confirmed that the pay rate is an influential variable, posing a clear trade-off between staff qualifications and costs.

¹² The contractor cost estimate includes wages, fringes, direct expenses and overhead, but not profit. The weighted average fee paid to the contractors, as cited earlier in this report, does not account for penalties for late or unacceptable reports, for which data were not available.

CONCLUSIONS

The demonstration showed that using contractors to visit stores is viable and can work very well. This success is highlighted by the following key results:

- Field Offices found this resource useful enough to order 85 percent of the originally-projected number of visits.
- By the end of the demonstration, after unsatisfactory contractors had been replaced in 38 percent of the sites, over three-quarters of the Field Offices were moderately to highly satisfied with contractor performance.
- Despite the unfamiliar challenges of using contractors' reports, over 60 percent of the sites rated the quality of contractor deliverables as good or better; a similar percentage of sites rated contractors as generally or consistently on time.
- In the tracking analysis sample, 90 percent of contractor deliverables were timely and 96 percent did not require correction by the contractor.¹³
- Contractor visits provide sufficient information in the vast majority of cases: 96 percent of contractor visits enabled the Field Office to make an authorization or reauthorization decision without further information-gathering (other than routine documentation).
- Contractor visits can and do lead to the exclusion of ineligible stores from the FSP. The evaluation data indicate that Field Offices took negative actions (denial or withdrawal) against 8 to 9 percent of contractor-visited stores; the estimated total was 649 stores.
- Negative Field Office actions based on contractor visits were, in about 90 percent of cases, accepted by the retailer or upheld upon appeal.

On several of these indicators, there was considerable variability across sites. Some contractors substantially exceeded contractual requirements, whereas others were unable to meet those requirements and had to be replaced. A minority of Field Offices exceeded their projected number of visits ordered, whereas the majority substantially underutilized this resource. Rates of

¹³ The fact that about 60 percent of the Field Offices rated the overall quality and timeliness of contractor deliverables as good or better may seem inconsistent with the tracking data indicating that over 90 percent of individual contractor deliverables were timely and did not require correction. These two sets of data, however, are not comparable. The ratings given by the Field Offices reflect their complex and sometimes subjective expectations regarding what contractors should do to meet their needs, above and beyond the minimum standards of compliance with the SOW. The tracking data reflect performance only relative to those more objective but lower standards for which data were collected.

approval or reauthorization for individual Field Offices (which are subject to some sampling error) varied considerably as a result of the differences in contractor report quality combined with variations in approaches to authorization decisions.

The contractors in the demonstration proved that they could effectively serve as FNS' "eyes" and credibly represent the FSP. Contractors can be a valuable extension of FNS' reach, especially in more distant areas.

Lessons Learned. Exhibit 4 presents a list of the best practices employed by contractors and Field Offices. This list reflects the observations of FNS staff, contractors, and the researchers. In each section of the exhibit the best practices begin with startup activities, progress through the issuance and completion of call orders, and end with the submission and review of deliverables. These practices include approaches, techniques, and tools that contributed to smooth, efficient, and effective operations. They are worthy of consideration as FNS proceeds to implement store visit contracting on a larger scale, although they may require adaptation to other contractors' or Field Offices' circumstances.

Exhibit 4
BEST PRACTICES

Best Practices by Contractors

- Thorough training by contracting organization, which includes a field component
- Good working relationship with the Field Office
- Automated tracking system
- Mapping software that plots store locations and assists in planning travel routes
- Photographs that are sufficient in number and content to permit an adequate assessment of the staple food stock, as well as overall sense of the store
- Methods to correctly match photos with stores, such as using a store identification placard in photos or one roll of film per store
- Computer software that generates labels for photographs and mailings
- In-house quality control process that identifies problems prior to submission of reports to FNS
- Neat, professional, flat deliverables that are organized in a consistent fashion

Best Practices by Field Offices

- Identification of a store visit coordinator
- Adequate training and tools (such as checklist) for staff to ensure consistency in the approach to assessing the adequacy of deliverables and making eligibility decisions
- Detailed and thorough training of contractors by Field Offices
- Communicating clearly the expectations for Field Office needs and contractor performance
- Automated process for issuing and tracking call orders
- Regular issuance of call orders; steady and adequate flow of work, negotiated by Field Office and contractor
- Geographic grouping of stores in call orders
- Prompt review of contractor deliverables
- Ongoing feedback to contractors on the quality of deliverables and issues/problems as they arise

FNS has incorporated these and other lessons from the demonstration into the Request for Proposals (RFP) for the FY 1997 store visit contracts and other preparations for the future use of contractors to conduct store visits. Both FNS and the future contractors will benefit from the following advances:

- ***Better information about FNS' plans and expectations for contractor store visits.*** The FY 1997 RFP contained much more information on the timing and location of planned store visits, and on their likely distribution between new authorizations and reauthorizations, than was available to the demonstration contractors. This information should help ensure that contractors are better prepared to meet FNS' needs.
- ***More emphasis on training for reviewers employed by contractors.*** As part of the demonstration evaluation, a guidebook for contractors has been produced, explaining how to conduct visits and providing samples of photographs, survey forms, checklists, and store sketches. Training for the FY 1997 contractors will be more formalized, including sessions at the national and regional or field level. To remove disincentives to training, contractors will be paid separately for training costs, rather than having to recover those costs from fees for conducting store visits.
- ***Changes in rules and procedures for ordering visits to increase efficiency.*** Field Offices will be able to issue larger orders for store visits, both to reduce ordering time and to give contractors a better flow of work. The plans for FY 1997 put more emphasis on reauthorization visits, which can be conducted more efficiently through geographic clustering and advance scheduling.
- ***Changes in rules and procedures for conducting visits to elicit more consistent contractor performance.*** The FY 1997 RFP spells out more clearly the expectations for contractor deliverables, including a specific requirement for at least 17 photographs. Contractors are required to employ field coordinators to facilitate communications with the FNS Regional and Field Offices, and to propose and follow clear plans for training reviewers. Contractors will be allowed an initial trial period of 30 visits per region, after which they will be subject to liquidated damages of up to \$200 per deliverable.
- ***Changes in the format of deliverables to facilitate use by Field Offices.*** The staple food checklist will be modified so that Field Office staff can more easily determine the extent of variety in the store's inventory in each staple food group. A store layout sketch, as used in the Western Region during the demonstration, will be used to provide better information on the nature of the business and the stock of non-staple foods and non-food products.
- ***Realigning responsibilities for administering store visit contracts.*** To ensure consistent contract terms and to better target agency resources, FNS has issued a single RFP for the FY 1997 procurement, and the contracts will be administered at the

national level, with technical support from the Regional Offices. The Field Offices will have less responsibility for contract administration and will be able to focus more on using contractor visits to accomplish their ultimate objective: screening out ineligible stores from the FSP.

APPENDIX A**TRACKING DATA SAMPLE AND WEIGHTING METHODOLOGY**

During the four months of the demonstration, FNS Field Office staff completed up to two evaluation forms for each new applicant store and each store subject to reauthorization. The Initial Tracking Sheet (ITS) was completed for all stores, regardless of assignment status. For each store, the ITS records tracking information, assignment status (no visit, contractor visit, or FNS visit), and (for contractor-visit stores) contractor name and assignment date. For stores visited by FNS, it records whether additional information was requested from the retailer, the final outcome (approval or denial/withdrawal), and the final action date. For no-visit stores, the final outcome is recorded, along with the date of the action.¹⁴

In addition to the ITS, a Follow-up Action Report (FAR) was completed following administrative action for all contractor-visited stores. The FAR records, from the viewpoint of FNS staff, the outcomes associated with contractor visits, including timeliness of contractor deliverables, completeness of contractor information and additional information requested, action taken on contractor reports, whether a follow-up FNS visit was conducted, the final administrative action taken (approval or denial/withdrawal), and the date of the action.

¹⁴ This analysis does not include data on no-visit stores.

Analysis Sample and Weights

Because the sample generally represents the entire period of demonstration operation, there should be few inherent biases in the data other than inevitable sampling error stemming from the random process used to select store visits for analysis. We use weighted frequencies in our analysis to make the sample representative of the known universe of visits. Contractor visits are weighted so that the weighted sample represents the total contractor visits ordered by each Field Office over the period of the demonstration, except in three sites where the weighted sample reflects visits ordered through August 16.¹⁵ Individual weights for contractor visits were determined separately for new and reauthorization visits in each Field Office; the weights were computed as the total number of (new or reauthorization) visits ordered, divided by the number of visits in the sample.¹⁶ The weighted sample is then equal to the total number of new and reauthorization visits ordered. FNS visits are weighted to represent the total number of visits in each Field Office for which Abt Associates received and batched ITS forms.¹⁷

The effect of these weights on relative sample sizes is shown in Exhibit A-1, where the weighted and unweighted samples are compared by Field Office. References to numbers of visits or percentages in the report apply to the weighted sample, unless otherwise indicated. In interpreting the results, readers are cautioned to recall the size of the unweighted sample, which determines the precision of the estimates. The entire sample of 2,194 visits allows fairly precise estimates, but the much smaller samples for individual Field Offices yield much less precise estimates.

¹⁵ Delays in receipt of data from these sites limited the analysis to this time period.

¹⁶ The numbers of new and reauthorization visits ordered by a Field Office were obtained from semi-monthly Regional Tracking Reports produced by FNS.

¹⁷ The actual universe of FNS visits at any exact point during the demonstration is unknown. All 495 ITS forms for FNS visits were batched, but only the 260 forms in the sample were processed and used in the analysis.

Exhibit A-1

UNWEIGHTED AND WEIGHTED SAMPLES, BY FIELD OFFICE

Field Office	Total Visits in Sample	Percent of All Visits	Weighted Total Visits	Percent of Weighted Visits
Trenton	287	13.1%	568	7.8%
Harrisburg	79	3.6	282	3.9
New York City	303	13.8	1112	15.3
Wallingford	60	2.7	246	3.4
Boston	133	6.1	358	4.9
Tampa	105	4.8	349	4.8
Raleigh	36	1.6	125	1.7
Detroit	112	5.1	422	5.8
Grand Rapids	129	5.9	571	7.9
Austin	114	5.2	619	8.5
Little Rock	127	5.8	646	8.9
Denver	119	5.4	236	3.2
Wichita	62	2.8	179	2.5
Los Angeles	438	20.0	1120	15.4
Sacramento	57	2.6	245	3.4
Phoenix	33	1.5	190	2.6
Total	2194	100%	7268	100%